

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY & EXHIBITS

OF

ROBERT A. LAWYER

August 18, 2014



DOCKET NO. 2014-3-E

**Annual Review of Base Rates for Fuel Costs of Duke
Energy Carolinas, LLC**

DIRECT TESTIMONY AND EXHIBITS OF

ROBERT A. LAWYER

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2014-3-E

IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS OF

DUKE ENERGY CAROLINAS, LLC

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Robert A. Lawyer. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") as an Audit Manager.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree in Financial Management, with a concentration in Corporate Finance from Clemson University in May 1994. Prior to joining ORS, I held a variety of positions in finance, accounting, auditing, and management. I began my employment as an auditor with ORS in April 2007 and became Audit Manager in June 2012. I have participated in various cases involving the regulation of electric, water and wastewater utilities and have previously testified before the Public Service Commission of South Carolina ("Commission") on several cases.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to present the results of ORS Audit Staff's examination of the books and records pertaining to Duke Energy Carolinas, LLC's (the

“Company” or “DEC”) operations under the Fuel Adjustment Clause (“FAC”). The current fuel examination covered the actual period of June 2013 through May 2014 (“actual review period”) and four (4) estimated months from June 2014 to September 2014 (“estimated review period”).

Q. WHAT WAS THE PURPOSE OF THIS EXAMINATION?

A. The purpose of this examination was to determine if the Company’s accounting practices in computing and applying the monthly FAC have been in compliance with S.C. Code Ann. § 58-27-865 (Supp. 2013).

Q. WHAT WAS THE SCOPE OF ORS’S EXAMINATION?

A. ORS Audit Staff examined and verified the monthly fuel adjustment factor calculations and the fuel recovery balances recorded in the Company’s books and records. The Audit Staff’s examination consisted of:

1. Analyzing the Fuel Stock Account

ORS’s analysis of the Fuel Stock Account consisted of verifying receipts to, and issues from, the fuel management system to the general ledger, examining monthly fuel charges originating in fuel accounting, and ensuring that only proper charges were entered in the Company’s computation of fuel costs for purposes of adjusting the base fuel factor.

2. Sampling Receipts to the Fuel Stock Account

ORS’s review of receipts to the Fuel Stock Account consisted of examining and testing selected transactions which support additions to the account. Each transaction examined was tested for mathematical accuracy and vouched to a corresponding waybill or truck bill, supplier invoice, base cost report, freight

1 invoice, and transportation cost report. Transactions were then verified to a fuel
2 management system payment voucher to verify payment of the correct amount to
3 the vendors.

4 3. Verifying Charges to Nuclear Fuel Expense

5 ORS verified the amounts of nuclear fuel expense to the books and records for the
6 actual review period. Additionally, the accuracy of these amounts was confirmed
7 to the Company's amortization schedules.

8 4. Verifying Purchased and Interchange Power Fuel Costs

9 ORS verified the Company's purchased and interchange power fuel costs,
10 kiloWatt-hour ("kWh") purchases, and kWh sales for the actual review period to
11 the Company's "Intersystem Purchase and Sales Transaction" reports, individual
12 vendor purchase schedules, and monthly invoices, on a sample basis. This
13 included intercompany power transactions related to the Joint Dispatch
14 Agreement between the Company and Duke Energy Progress, Inc. ORS
15 recomputed the Company's sales and purchases for the actual review period. The
16 purchased and interchange power amounts for the actual review period and the
17 resultant over (under)-recovery monthly deferred fuel amounts for the period
18 reflect calculations that conform to S.C. Code Ann. § 58-27-865 (Supp. 2013).
19 This statute addresses fuel costs related to purchased power. Subsection (A)(2)(b)
20 of this statute states that the total delivered cost of economy purchases, including
21 (but not limited to) transmission charges, are included in purchased power costs if
22 those purchases are "less than the purchasing utility's avoided variable costs for
23 the generation of an equivalent quantity of electric power." ORS applied this

1 statute to the examined economic purchases along with the applicable avoided
2 costs.

3 5. Verifying kWh Sales

4 ORS verified total system kWh sales, as filed in the monthly fuel factor
5 computation, to monthly billed revenue reports for the actual review period. The
6 monthly kWh sales figures were then used to determine the fuel cost per kWh
7 sold and the monthly fuel cost adjustment factors.

8 6. Recalculating the Fuel Adjustment Factors and Verifying the Deferred Fuel Costs

9 ORS recalculated the fuel cost adjustment factors for the actual review period
10 utilizing information obtained from the Company's records and verified these
11 total fuel costs to the Company's books and records. In recalculating the monthly
12 factors, ORS divided total fuel costs by total system kWh sales to arrive at fuel
13 costs per kWh sold. The base fuel cost per kWh was then subtracted from the
14 actual fuel cost per kWh sold to compute the deferred fuel cost adjustment above
15 or below the base rate per kWh. The actual deferred fuel costs for each month
16 were then verified to the Company's books and records.

17 7. Recalculating the True-up of the Over (Under)-Recovered Fuel Costs

18 ORS analyzed and recomputed the cumulative over (under)-recovery of actual
19 base fuel costs for the actual review period and over (under)-recovery for the
20 estimated review period. In addition, ORS recomputed the cumulative over
21 (under)-recovery of environmental fuel costs for the actual review period and over
22 (under)-recovery for the estimated review period.

1 **Q. PLEASE EXPLAIN THE AUDIT EXHIBITS ATTACHED TO YOUR**
2 **TESTIMONY.**

3 **A.** ORS prepared audit exhibits from the Company's books and records, reflecting
4 fuel costs during the actual review period. Specifically, these exhibits include the
5 following:

6 **AUDIT EXHIBIT RAL-1: COAL COST STATISTICS**

7 This audit exhibit details spot and contract coal received, separately and combined, for
8 the actual review period. The comparison is made in the following five (5) areas:

- 9 (1) Tons Received
10 (2) Percentage of Total Tons Received
11 (3) Total Received Cost
12 (4) Received Cost Per Ton
13 (5) Cost Per thousand British thermal units ("MBTU")

14 ORS then took the combined total received cost for the twelve (12) months and divided
15 this by the combined total tons received for the twelve (12) months to arrive at a
16 weighted average cost per ton of \$97.95 for the actual review period.

17 **AUDIT EXHIBIT RAL-2: RECEIVED COAL – COST PER TON COMPARISON**

18 This audit exhibit details the received cost per ton of coal for each month of the actual
19 review period for DEC, Duke Energy Progress, Inc., and South Carolina Electric & Gas
20 Company. For comparison purposes, ORS has shown the invoice cost per ton, freight cost
21 per ton, total cost per ton, and the cost per MBTU.

22 **AUDIT EXHIBIT RAL-3: TOTAL BURNED COST (FOSSIL AND NUCLEAR)**

1 This audit exhibit details the per book cost of fuel burned for electric generation during
2 the actual review period. The burned cost of each class of fuel is shown separately along
3 with its percentages of total burned costs. These costs are used in computations of the
4 base fuel cost component. Emission allowance expenses and other variable
5 environmental costs, as described in § 58-27-865(A)(1), are shown separately on Audit
6 Exhibit RAL-6.

7 **AUDIT EXHIBIT RAL-4: COST OF FUEL**

8 This audit exhibit details ORS's computation of the total fuel cost applicable to the factor
9 computation. There are three (3) components used in arriving at this cost. These
10 components are:

- 11 (1) Total Cost of Fuel Burned
- 12 (2) Purchased and Interchange Power Fuel Cost
- 13 (3) Fuel Cost Recovered from Intersystem Sales

14 Total Cost of Fuel Burned--- This amount is the total cost of all fossil and nuclear fuel
15 burned during the actual review period and used in the base fuel component computation.
16 A detailed breakdown of coal, oil, natural gas and nuclear fuel can be seen in Audit
17 Exhibit RAL-3.

18 Purchased and Interchange Power Fuel Cost--- This amount is the fuel cost of DEC's
19 monthly kWh purchases from other electric utilities or power marketers.

20 Fuel Cost Recovered from Intersystem Sales--- This amount is the fuel cost related to
21 kWhs sold during the period to other electric utilities or power marketers. Total fuel cost
22 applicable to the base fuel component factor is computed by adding the cost of fuel

1 burned, solar power, and purchased power fuel costs. This amount is then reduced by
2 fuel cost recovered from intersystem sales.

3 **AUDIT EXHIBIT RAL-5: S.C. RETAIL COMPARISON OF FUEL REVENUES**
4 **& EXPENSES**

5 This audit exhibit details the fuel cost computations for the actual review period as well
6 as fuel costs for the estimated review period. The exhibit also shows actual and estimated
7 computations of the cumulative over (under)-recovery balances and various adjustments
8 for June 2013 through September 2014.

9 **AUDIT EXHIBIT RAL-6: TOTAL ENVIRONMENTAL COSTS**

10 This audit exhibit details the total environmental costs for the actual review period for
11 magnesium hydroxide, calcium carbonate, other sorbents, sulfur dioxide ("SO₂")
12 emission allowances, ammonia, urea, and lime products. For this review period, there
13 were no nitrogen oxide ("NO_x") emission allowances or dibasic acid costs.

14 **AUDIT EXHIBIT RAL-7: DETAILS OF ENVIRONMENTAL COSTS**

15 This audit exhibit details the environmental cost computations for the actual review
16 period for magnesium hydroxide, calcium carbonate, other sorbents, SO₂ emission
17 allowances, ammonia, urea, lime products, and estimates of variable environmental costs
18 for the estimated review period. The exhibit also shows the computation of the
19 cumulative over (under)-recovery balances and any adjustments for June 2013 through
20 September 2014.

21 **Q. WOULD YOU PLEASE EXPLAIN THE CUMULATIVE OVER (UNDER)-**
22 **RECOVERY AMOUNT BROUGHT FORWARD IN AUDIT EXHIBIT RAL-5?**

1 **A.** Yes. As detailed in Audit Exhibit RAL-5, ORS brought forward a cumulative
2 over-recovery balance from May 2013 of \$25,476,878. The Company's testimony
3 (Smith Exhibit 2, line 13) reflects a cumulative over-recovery balance of \$24,613,799
4 brought forward from May 2013. The difference between the balances is discussed in
5 Adjustment (3A) below.

6 **Q. PLEASE ELABORATE ON ORS AUDIT STAFF'S COMPUTATION OF THE**
7 **TRUE-UP OF OVER (UNDER)-RECOVERED FUEL COSTS.**

8 **A.** ORS Audit Exhibit RAL-5 provides details of ORS's calculation of the actual
9 cumulative (under)-recovery balance through May 2014 and the estimated balance
10 through September 2014. The cumulative (under)-recovery amount as of May 2014
11 totaled (\$35,958,217). This amount includes several adjustments which are discussed
12 below. ORS then added estimated (under)-recoveries of (\$11,151,468) for June 2014,
13 (\$7,019,861) for July 2014, (\$5,829,720) for August 2014, an estimated over-recovery of
14 \$492,937 for September 2014, and adjustments (3C) through (3F) to arrive at a
15 cumulative (under)-recovery of (\$57,174,080) through September 2014. These
16 adjustments are also discussed below. The Company's testimony (Smith Exhibit 2) in
17 this docket reports the cumulative (under)-recovery total through May 2014 as
18 (\$38,965,655) and through September 2014, a cumulative (under)-recovery total of
19 (\$60,181,518).

20 **Q. DID THE COMPANY MAKE ANY ADJUSTMENTS OR TRUE-UPS DURING**
21 **THE ACTUAL AND ESTIMATED REVIEW PERIODS FOR THE BASE FUEL**
22 **COMPONENT?**

A. Yes. The Company made the following adjustments as shown on Audit Exhibit

RAL-5:

Adjustment (1) – Interest on Deferral

As described in PSC Order No. 2013-696, the Company is allowed to charge and accrue interest for agreeing to defer \$30 million of their projected fuel costs under collection during the one (1) year billing period beginning October 1, 2013. This adjustment reflects the interest charged and accrued on a monthly basis on the amount that the Company would have billed if not for the deferral.

Adjustment (2) – Purchased Power Adjustments

During the actual review period, the Company made monthly purchased power adjustments. These adjustments account for the differences between actual and estimated economic purchased power costs, revised renewable and cogeneration energy purchases, and revisions for those purchases with costs exceeding DEC's avoided variable cost.

Adjustment (3) – Other Company Adjustments

During both the actual and the estimated review periods, the Company recorded several over (under)-recovery adjustments to the cumulative balances of the Deferred Fuel Account. They are as follows:

(3A) – The adjustment of (\$823,286) consists of two parts:

First, an (under)-recovery adjustment of (\$863,054) was made in last year's FAC (Docket No. 2013-3-E) in the estimated month of September 2013 for fuel-related pre-merger savings for the period of January 2012 through June 2012. This adjustment is simply being carried over to the present Docket in what is now actual September 2013. The Company's testimony (Smith Exhibit 2) already includes this adjustment in their

1 cumulative over-recovery balance brought forward from May 2013. This amount, and a
2 rounding difference, accounts for ORS and the Company's difference in the balances
3 brought forward from May 2013 mentioned above.

4 Second, the Company made an over-recovery adjustment of \$39,768 to refund the
5 remaining balance of over collected demand side management funds in accordance with
6 PSC Orders No. 2010-79 and No. 2012-894.

7 **(3B)** – The over-recovery adjustment of \$583,043 made in May 2014 also consists of two
8 parts:

9 First, the Company made an (under)-recovery adjustment of (\$90,073) to remove a
10 portion of previous credits for minimum train weight penalties made in last year's FAC
11 (Docket No. 2013-3-E). Since then, DEC has recouped this amount and credited it to this
12 present Docket. The adjustment prevents South Carolina customers from being credited
13 twice for this amount.

14 Second, the Company made an over-recovery adjustment of \$673,116 to revise
15 previously stated gas capacity merger savings for the period of November 2012 through
16 April 2014. This adjustment is further discussed in the testimony of ORS witness Hipp.

17 **(3C) – (3F)** – As stated in Company witness Smith's testimony (page 4, line 22), due to
18 the enactment of Act 236, certain purchased power costs covered under the Public Utility
19 Regulatory Policy Act of 1978 ("PURPA") are now required to be recovered through the
20 fuel factor beginning in June 2014. Since these costs are now included in this filing, but
21 are currently being recovered in base rates, the Company made over-recovery
22 adjustments in June through September 2014 to prevent double collection of these
23 PURPA purchased power costs.

Q DID ORS MAKE ANY ADJUSTMENTS OR TRUE-UPS DURING THE ACTUAL REVIEW PERIOD?

A. Yes. ORS made the following over-recovery adjustment shown on Audit Exhibit RAL-5:

Adjustment (4) – ORS Adjustments

The adjustment of \$3,007,343 made in May 2014 consists of three (3) parts as follows:

First, an over-recovery adjustment of \$490,428 was made to recognize an amount for replacement power due to an extended outage of Marshall Unit 3 during a portion of the actual review period. This adjustment is further discussed in the testimony of ORS witness Shafer.

Second, an over-recovery adjustment of \$2,418,974 was made to account for revisions to carrying costs collected on excess coal inventory during the review period. This adjustment is further discussed in the testimony of ORS witness Shafer.

Third, an over-recovery adjustment of \$97,941 was made to represent South Carolina's portion of a settlement reached between DEC and a contractor. This adjustment is addressed further in the testimony of ORS witness Hipp.

Q. WOULD YOU PLEASE EXPLAIN THE CUMULATIVE OVER (UNDER)-RECOVERY BALANCE BROUGHT FORWARD IN AUDIT EXHIBIT RAL-7?

A. Yes. As detailed in Audit Exhibit RAL-7, ORS brought forward a cumulative over-recovery balance from May 2013 of \$6,084,377. The Company's testimony (Smith Exhibit 4) reflects a combined cumulative over-recovery balance of \$6,084,404 brought forward.

Q. PLEASE ELABORATE ON ORS AUDIT STAFF'S COMPUTATION OF THE TRUE-UP OF OVER (UNDER)-RECOVERED ENVIRONMENTAL COSTS.

A. ORS Audit Exhibit RAL-7 provides details of ORS's calculation of the cumulative environmental cost over-recovery balance of \$1,788,254 through May 2014. This includes an ORS over-recovery adjustment of \$8,173 which is discussed later as Adjustment (5). ORS then added estimated (under)-recoveries of (\$357,329) for June 2014, (\$492,715) for July 2014, (\$452,769) for August 2014 and (\$166,071) for September 2014. The Company's testimony (Smith Exhibit 4) in this docket reports the combined cumulative over-recovery total through May 2014 as \$1,780,334 and through September 2014, the cumulative over-recovery balance totals \$311,258.

Q PLEASE EXPLAIN THE ADJUSTMENTS OR TRUE-UPS ORS MADE DURING THE ESTIMATED REVIEW PERIOD FOR THE ENVIRONMENTAL COMPONENT.

A. ORS made the following adjustment as shown on Audit Exhibit RAL-7:
Adjustment (5) – As previously mentioned, ORS made over-recovery adjustment of \$8,173 in May 2014. This adjustment was made to apply the appropriate sales tax on reagent expenses for the review period.

Q. WHAT ARE THE COMBINED CUMULATIVE OVER (UNDER)-RECOVERIES OF THE BASE FUEL COST AND ENVIRONMENTAL COST COMPONENTS AS OF ACTUAL MAY 2014 AND AS OF ESTIMATED SEPTEMBER 2014?

A. As of May 2014, using a base fuel cost component cumulative (under)-recovery balance of (\$35,958,217) and an environmental cost component cumulative over-recovery balance of \$1,788,254, the combined result totals (\$34,169,963). As of

1 September 2014, using a base fuel cost component cumulative (under)-recovery balance
2 of (\$57,174,080) and an environmental cost component cumulative over-recovery
3 balance of \$319,370, the combined result totals (\$56,854,710). Both combined totals can
4 be seen on Audit Exhibit RAL-5.

5 **Q. WHAT IS THE RESULT OF ORS'S EXAMINATION?**

6 **A.** Based on ORS Audit Staff's examination of the Company's books and records,
7 and the Company's operations under the fuel cost recovery mechanism, it is ORS's
8 opinion that, subject to ORS's adjustments to the base fuel and environmental
9 components, the Company's accounting practices are in compliance with S.C. Code Ann.
10 § 58-27-865 (Supp. 2013).

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A.** Yes, it does.

Duke Energy Carolinas, LLC
Coal Cost Statistics
June 2013 - May 2014
Docket No. 2014-3-E

Spot					
<u>Month</u>	<u>Tons Received</u>	<u>Percentage of Total Tons Received</u>	<u>Total Received Cost</u>	<u>Received Cost Per Ton</u>	<u>Cost Per MBTU</u>
		<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Jun-13	(32,754)	-4.08%	(1,989,471)	-60.74	-2.4660
Jul-13	(66,977)	-11.45%	(4,060,286)	-60.62	-2.4769
Aug-13	(158,447)	-18.46%	(9,588,078)	-60.51	-2.4569
Sep-13	(40,992)	-4.78%	(2,540,202)	-61.97	-2.4691
Oct-13	(106,556)	-14.33%	(6,541,919)	-61.39	-2.3752
Nov-13	(133,557)	-16.46%	(7,931,649)	-59.39	-2.4811
Dec-13	(82,349)	-10.91%	(4,353,594)	-52.87	-2.2677
Jan-14	2,393	0.38%	456,549	190.79	5.8374
Feb-14	89,229	15.99%	7,542,754	84.53	3.4282
Mar-14	197,408	24.78%	17,169,094	86.97	3.4794
Apr-14	365,918	36.11%	30,074,382	82.19	3.3363
May-14	435,086	41.41%	34,390,768	79.04	3.2635
Totals (6/13- 5/14)	468,402		52,628,348		

Contract					
<u>Month</u>	<u>Tons Received</u>	<u>Percentage of Total Tons Received</u>	<u>Total Received Cost</u>	<u>Received Cost Per Ton</u>	<u>Cost Per MBTU</u>
		<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Jun-13	835,148	104.08%	83,597,720	100.10	3.8471
Jul-13	652,045	111.45%	63,544,238	97.45	3.8570
Aug-13	1,016,828	118.46%	96,646,227	95.05	3.7670
Sep-13	898,337	104.78%	88,167,303	98.15	3.9498
Oct-13	850,326	114.33%	81,475,568	95.82	3.8213
Nov-13	944,719	116.46%	89,542,129	94.78	3.9711
Dec-13	837,386	110.91%	79,549,209	95.00	3.7576
Jan-14	622,709	99.62%	58,270,808	93.58	3.8257
Feb-14	468,774	84.01%	44,324,212	94.55	3.7348
Mar-14	599,247	75.22%	55,342,440	92.35	3.7016
Apr-14	647,428	63.89%	60,837,441	93.97	3.8568
May-14	615,717	58.59%	60,501,846	98.26	3.9489
Totals (6/13- 5/14)	8,988,664		861,799,141		

Duke Energy Carolinas, LLC
Coal Cost Statistics
June 2013 - May 2014
Docket No. 2014-3-E

Combined

<u>Month</u>	<u>Tons Received</u>	<u>Percentage of Total Tons Received</u>	<u>Total Received Cost</u>	<u>Adjustments</u>	<u>Adjusted Total Received Cost</u>	<u>Received Cost Per Ton</u>	<u>Cost Per MBTU</u>
		<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Jun-13	802,394	100.00%	81,608,249	740,191	82,348,440	102.63	4.1048
Jul-13	585,068	100.00%	59,483,952	1,144,870	60,628,822	103.63	4.2104
Aug-13	858,381	100.00%	87,058,149	971,820	88,029,969	102.55	4.1589
Sep-13	857,345	100.00%	85,627,101	1,378,484	87,005,585	101.48	4.1176
Oct-13	743,770	100.00%	74,933,649	999,610	75,933,259	102.09	4.1196
Nov-13	811,162	100.00%	81,610,480	1,183,588	82,794,068	102.07	4.1642
Dec-13	755,037	100.00%	75,195,615	803,947	75,999,562	100.66	4.2635
Jan-14	625,102	100.00%	58,727,357	811,114	59,538,471	95.25	3.9693
Feb-14	558,003	100.00%	51,866,966	1,234,512	53,101,478	95.16	3.8448
Mar-14	796,655	100.00%	72,511,534	752,866	73,264,400	91.97	3.6909
Apr-14	1,013,346	100.00%	90,911,823	749,718	91,661,541	90.45	3.6589
May-14	1,050,803	100.00%	94,892,614	1,124,785	96,017,399	91.38	3.7045
Totals (6/13- 5/14)	9,457,066		914,427,489	11,895,505	926,322,994		

<u>Total Received Cost</u>	=	<u>\$926,322,994</u>	=	<u>\$97.95</u>
<u>Total Tons Received</u>		<u>9,457,066</u>		

Duke Energy Carolinas, LLC
Received Coal - Cost Per Ton Comparison
June 2013 - May 2014
Docket No. 2014-3-E

Duke Energy Carolinas, LLC

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Jun-13	70.14	32.49	102.63	4.1048
Jul-13	67.87	35.76	103.63	4.2104
Aug-13	67.31	35.24	102.55	4.1589
Sep-13	70.23	31.25	101.48	4.1176
Oct-13	70.59	31.50	102.09	4.1196
Nov-13	68.23	33.84	102.07	4.1642
Dec-13	66.61	34.05	100.66	4.2635
Jan-14	61.03	34.22	95.25	3.9693
Feb-14	59.00	36.16	95.16	3.8448
Mar-14	60.64	31.33	91.97	3.6909
Apr-14	57.84	32.61	90.45	3.6589
May-14	57.67	33.71	91.38	3.7045

Duke Energy Progress, Inc.¹

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Jun-13	63.21	31.75	94.96	3.8408
Jul-13	62.85	36.89	99.74	4.0731
Aug-13	61.55	29.01	90.56	3.6566
Sep-13	45.42	23.62	69.04	2.7915
Oct-13	58.98	27.22	86.20	3.4905
Nov-13	59.85	32.71	92.56	3.7375
Dec-13	60.60	31.96	92.56	3.6915
Jan-14	58.39	33.67	92.06	3.6931
Feb-14	53.94	26.10	80.04	3.2790
Mar-14	56.21	36.55	92.76	3.7565
Apr-14	55.01	32.55	87.56	3.5348
May-14	53.77	32.11	85.88	3.4961

**Duke Energy Carolinas, LLC
Received Coal - Cost Per Ton Comparison
June 2013 - May 2014
Docket No. 2014-3-E**

South Carolina Electric & Gas Company¹

<u>Month</u>	<u>Invoice Cost Per Ton</u>	<u>Freight Cost Per Ton</u>	<u>Total Cost Per Ton</u>	<u>Cost Per MBTU</u>
	\$	\$	\$	\$
Jun-13	72.48	34.56	107.04	4.2300
Jul-13	75.76	32.67	108.43	4.2200
Aug-13	74.12	34.04	108.16	4.2500
Sep-13	76.22	35.33	111.55	4.4000
Oct-13	61.57	28.50	90.07	4.3800
Nov-13	70.02	31.07	101.09	4.0500
Dec-13	70.07	31.59	101.66	4.0200
Jan-14	65.33	30.95	96.28	3.8100
Feb-14	65.04	36.23	101.27	3.9900
Mar-14	65.57	32.14	97.71	3.8600
Apr-14	67.02	26.25	93.27	3.6900
May-14	68.85	27.14	95.99	3.7800

¹ Total Cost per Ton information for Duke Energy Progress, Inc. and South Carolina Electric & Gas Company has not been audited as part of this docket.

Duke Energy Carolinas, LLC
Total Burned Cost (Fossil and Nuclear)
 June 2013 – May 2014
 Docket No. 2014-3-E

<u>Month</u>	<u>Coal</u>		<u>#2 Oil</u>		<u>Natural Gas</u>		<u>Nuclear</u>		<u>Total Burned Cost</u>
	\$	%	\$	%	\$	%	\$	%	\$
Jun-13	104,786,747	66.73%	1,289,621	0.82%	26,895,379	17.13%	24,059,244	15.32%	157,030,991
Jul-13	111,500,091	66.35%	3,116,613	1.85%	27,801,859	16.54%	25,641,994	15.26%	168,060,557
Aug-13	105,019,444	66.90%	1,665,412	1.06%	25,419,680	16.20%	24,869,813	15.84%	156,974,349
Sep-13	88,205,090	63.18%	1,139,127	0.82%	26,700,589	19.12%	23,566,040	16.88%	139,610,846
Oct-13	86,754,157	68.14%	1,215,124	0.95%	18,340,897	14.40%	21,015,208	16.51%	127,325,386
Nov-13	104,937,322	72.45%	1,358,557	0.94%	21,443,365	14.80%	17,111,751	11.81%	144,850,995
Dec-13	77,094,825	60.82%	2,871,413	2.27%	22,405,378	17.67%	24,395,859	19.24%	126,767,475
Jan-14	146,939,547	60.05%	15,619,471	6.38%	56,119,469	22.94%	26,019,750	10.63%	244,698,237
Feb-14	121,069,689	76.18%	3,117,781	1.96%	11,437,768	7.20%	23,297,816	14.66%	158,923,054
Mar-14	115,124,290	72.28%	2,765,291	1.74%	18,465,781	11.59%	22,921,037	14.39%	159,276,399
Apr-14	60,282,948	55.96%	1,419,973	1.32%	27,471,520	25.50%	18,553,335	17.22%	107,727,776
May-14	87,994,650	60.35%	2,446,650	1.68%	32,868,451	22.54%	22,490,810	15.43%	145,800,561
Totals	\$ 1,209,708,800	65.85%	\$38,025,033	2.07%	\$ 315,370,136	17.17%	\$273,942,657	14.91%	\$ 1,837,046,626

Duke Energy Carolinas, LLC
Cost of Fuel
June 2013 - May 2014
Docket No. 2014-3-E

<u>Month</u>	<u>Total Cost of Fuel</u> <u>Burned</u> \$	<u>Purchased and</u> <u>Interchange Power</u> <u>Fuel Cost</u> \$	<u>Fuel Cost Recovered</u> <u>from Intersystem Sales</u> \$	<u>Total Fuel Cost</u> \$
Jun-13	157,030,991	12,052,828	(12,275,292)	156,808,527
Jul-13	168,060,557	14,206,484	(12,588,543)	169,678,498
Aug-13	156,974,349	22,158,982	(13,458,398)	165,674,933
Sep-13	139,610,846	13,242,043	(9,590,078)	143,262,811
Oct-13	127,325,386	18,499,561	(3,999,018)	141,825,929
Nov-13	144,850,995	27,274,876	(8,774,028)	163,351,843
Dec-13	126,767,475	25,120,731	(10,947,019)	140,941,187
Jan-14	244,698,237	41,757,016	(72,584,635)	213,870,618
Feb-14	158,923,054	16,674,893	(25,177,513)	150,420,434
Mar-14	159,276,399	14,558,080	(24,214,406)	149,620,073
Apr-14	107,727,776	24,739,970	5,648,498	138,116,244
May-14	145,800,561	17,446,508	(14,687,838)	148,559,231
Total	\$1,837,046,626	\$247,731,972	(\$202,648,270)	\$1,882,130,328

Duke Energy Carolinas, LLC
S.C. Retail Comparison of Fuel Revenues & Expenses
June 2013 - September 2014
Docket No. 2014-3-E

	ACTUAL							
	June 2013	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014
Fossil Fuel	\$ 132,971,747	\$ 142,418,563	\$ 132,104,536	\$ 116,044,806	\$ 106,310,178	\$ 127,739,244	\$ 102,371,616	\$ 218,678,487
Nuclear Fuel	\$ 24,059,244	\$ 25,641,994	\$ 24,869,813	\$ 23,566,040	\$ 21,015,208	\$ 17,111,751	\$ 24,395,859	\$ 26,019,750
Solar	\$ 55,667	\$ 49,132	\$ 47,162	\$ 47,973	\$ 34,930	\$ 31,439	\$ 24,715	\$ 32,630
Purchased Power	\$ 12,052,828	\$ 14,206,484	\$ 22,158,982	\$ 13,242,043	\$ 18,499,561	\$ 27,274,876	\$ 25,120,731	\$ 41,757,016
Sub-Total	\$ 169,139,486	\$ 182,316,173	\$ 179,180,493	\$ 152,900,862	\$ 145,859,877	\$ 172,157,310	\$ 151,912,921	\$ 286,487,883
Fuel Recovered Through Intersystem Sales	\$ (12,275,292)	\$ (12,588,543)	\$ (13,458,398)	\$ (9,590,078)	\$ (3,999,018)	\$ (8,774,028)	\$ (10,947,019)	\$ (72,584,635)
Total Fuel Costs	\$ 156,864,194	\$ 169,727,630	\$ 165,722,095	\$ 143,310,784	\$ 141,860,859	\$ 163,383,282	\$ 140,965,902	\$ 213,903,248
Total System kWh Sales Excluding Intersystem Sales	6,756,110,596	7,333,525,852	7,708,596,961	7,311,288,695	6,095,883,349	6,238,620,017	6,986,205,686	7,689,971,029
Fuel Costs Incurred Per kWh	\$ 0.023218	\$ 0.023144	\$ 0.021498	\$ 0.019601	\$ 0.023272	\$ 0.026189	\$ 0.020178	\$ 0.027816
Fuel Costs Billed Per kWh	\$ 0.018846	\$ 0.018846	\$ 0.018846	\$ 0.018846	\$ 0.020144	\$ 0.020144	\$ 0.020144	\$ 0.020144
Fuel Adjustment Per kWh	\$ (0.004372)	\$ (0.004298)	\$ (0.002652)	\$ (0.000755)	\$ (0.003128)	\$ (0.006045)	\$ (0.000034)	\$ (0.007672)
S.C. Retail kWh Sales	1,748,351,802	1,843,164,960	1,958,887,064	1,867,931,595	1,576,279,143	1,595,081,061	1,749,068,463	1,841,134,321
Over/(Under) Recovery	\$ (7,643,794)	\$ (7,921,923)	\$ (5,194,968)	\$ (1,410,288)	\$ (4,930,601)	\$ (9,642,265)	\$ (59,468)	\$ (14,125,183)
Cumulative Over/(Under) Recovery - Prior Month	\$ 25,476,878	\$ 17,815,095	\$ 9,897,811	\$ 4,693,267	\$ 2,484,960	\$ (1,850,480)	\$ (11,601,554)	\$ (11,749,125)
Interest on Deferral	(1)							
Purchased Power Adjustments	(2)	\$ (17,989)	\$ 4,639	\$ 25,267	\$ 623,917	\$ (83,696)	\$ (63,110)	\$ (35,357)
Other Company Adjustments	(3)			\$ (823,286) (A)				
ORS Adjustments	(4)							
Cumulative Over/(Under) Recovery		\$ 17,815,095	\$ 9,897,811	\$ 4,693,267	\$ 2,484,960	\$ (1,850,480)	\$ (11,601,554)	\$ (25,936,978)

Please Note:
In Audit Exhibit RAL-5, ORS reflects Over-Recovery amounts without parentheses and reflects (Under)-Recovery amounts with parentheses.

Duke Energy Carolinas, LLC
S.C. Retail Comparison of Fuel Revenues & Expenses
June 2013 - September 2014
Docket No. 2014-3-E

Audit Exhibit RAL-5
Page 2 of 2

	ACTUAL					ESTIMATED			
	February 2014	March 2014	April 2014	May 2014	June 2014	July 2014	August 2014	September 2014	
Fossil Fuel	\$ 135,625,238	\$ 136,355,362	\$ 89,174,441	\$ 123,309,751	\$ 143,506,802	\$ 164,356,478	\$ 164,690,577	\$ 112,169,328	
Nuclear Fuel	\$ 23,297,816	\$ 22,921,037	\$ 18,553,335	\$ 22,490,810	\$ 22,093,168	\$ 24,109,475	\$ 23,741,171	\$ 21,126,252	
Solar	\$ 31,458	\$ 41,530	\$ 48,691	\$ 59,874	\$ 53,465	\$ 53,428	\$ 50,654	\$ 43,130	
Purchased Power	\$ 16,674,893	\$ 14,558,080	\$ 24,739,970	\$ 17,446,508	\$ 33,179,109	\$ 21,019,579	\$ 22,618,502	\$ 24,593,468	
Sub-Total	\$ 175,629,405	\$ 173,876,009	\$ 132,516,437	\$ 163,306,943	\$ 198,832,544	\$ 209,538,960	\$ 211,100,904	\$ 157,932,178	
Fuel Recovered Through Intersystem Sales	\$ (25,177,513)	\$ (24,214,406)	\$ 5,648,498	\$ (14,687,838)	\$ (8,605,526)	\$ (23,369,526)	\$ (26,138,730)	\$ (4,277,627)	
Total Fuel Costs	\$ 150,451,892	\$ 149,661,603	\$ 138,164,935	\$ 148,619,105	\$ 190,227,018	\$ 186,169,434	\$ 184,962,174	\$ 153,654,551	
Total System kWh Sales Excluding Intersystem Sales	7,789,888,434	6,579,767,548	6,398,792,446	6,292,323,611	7,253,953,000	7,873,647,081	8,044,844,037	7,722,650,623	
Fuel Costs Incurred Per kWh	\$ 0.019314	\$ 0.022746	\$ 0.021592	\$ 0.023619	\$ 0.026224	\$ 0.023645	\$ 0.022991	\$ 0.019897	
Fuel Costs Billed Per kWh	\$ 0.020144	\$ 0.020144	\$ 0.020144	\$ 0.020144	\$ 0.020144	\$ 0.020144	\$ 0.020144	\$ 0.020144	
Fuel Adjustment Per kWh	\$ 0.000830	\$ (0.002602)	\$ (0.001448)	\$ (0.003475)	\$ (0.006080)	\$ (0.003501)	\$ (0.002847)	\$ 0.000247	
S.C. Retail kWh Sales	1,921,599,405	1,602,831,055	1,593,831,324	1,605,730,934	1,834,123,000	2,005,101,583	2,047,671,247	1,995,698,242	
Over/(Under) Recovery	\$ 1,594,928	\$ (4,170,566)	\$ (2,307,868)	\$ (5,579,915)	\$ (11,151,468)	\$ (7,019,861)	\$ (5,829,720)	\$ 492,937	
Cumulative Over/(Under) Recovery - Prior Month	\$ (25,936,978)	\$ (24,432,065)	\$ (31,492,948)	\$ (33,876,599)	\$ (35,958,217)	\$ (46,580,809)	\$ (53,018,899)	\$ (58,252,792)	
Interest on Deferral	(1) \$ (23,133)	\$ (17,137)	\$ (17,373)	\$ (14,081)	\$ (12,354)	\$ (10,486)	\$ (7,430)	\$ (3,739)	
Purchased Power Adjustments	(2) \$ (66,882)	\$ (2,873,180)	\$ (58,410)	\$ (78,008)					
Other Company Adjustments	(3) \$	\$	\$	\$	\$	\$	\$	\$	
ORS Adjustments	(4) \$	\$	\$	\$	\$	\$	\$	\$	
Cumulative Over/(Under) Recovery	\$ (24,432,065)	\$ (31,492,948)	\$ (33,876,599)	\$ (35,958,217)	\$ (46,580,809)	\$ (53,018,899)	\$ (58,252,792)	\$ (57,174,080)	

Please Note:
In Audit Exhibit RAL-5, ORS reflects Over-Recovery amounts without parentheses and reflects (Under)-Recovery amounts with parentheses.

Cumulative Over/(Under) Base Fuel Component (per Audit Exhibit RAL-5)	\$ (35,958,217)	\$ (57,174,080)
Cumulative Over/(Under) Environmental Component (per Audit Exhibit RAL-7)	\$ 1,788,254	\$ 319,370
Net Cumulative Base Fuel and Environmental Components Over/(Under)-Recovery Balances	\$ (34,169,963)	\$ (56,854,710)

Duke Energy Carolinas, LLC
Total Environmental Costs
June 2013 - May 2014
Docket No. 2014-3-E

<u>Month</u>	<u>Magnesium Hydroxide, Calcium Carbonate and Other Sorbents</u>		<u>Emission Allowances</u>		<u>Ammonia and Urea</u>		<u>Lime/Limestone</u>		<u>Total Environmental Costs</u>
	\$	%	\$	%	\$	%	\$	%	\$
Jun-13	(519)	-0.02%	1,788	0.06%	1,269,367	40.41%	1,870,497	59.55%	3,141,133
Jul-13	518	0.01%	9,224	0.25%	1,863,666	50.33%	1,829,350	49.41%	3,702,758
Aug-13	(50)	0.00%	1,507	0.06%	655,162	28.03%	1,681,166	71.91%	2,337,785
Sep-13	1,938,591	45.10%	1,526	0.04%	770,393	17.92%	1,587,607	36.94%	4,298,117
Oct-13	299,968	13.08%	1,288	0.06%	608,157	26.52%	1,383,722	60.34%	2,293,135
Nov-13	201,718	8.64%	1,891	0.08%	287,614	12.33%	1,842,414	78.95%	2,333,637
Dec-13	264,730	10.03%	1,126	0.04%	563,710	21.37%	1,809,168	68.56%	2,638,734
Jan-14	302,868	7.17%	2,935	0.07%	1,197,814	28.35%	2,720,888	64.41%	4,224,505
Feb-14	424,345	11.03%	2,786	0.07%	1,179,887	30.68%	2,239,061	58.22%	3,846,079
Mar-14	686,764	17.31%	2,303	0.06%	1,301,786	32.82%	1,975,767	49.81%	3,966,620
Apr-14	520,174	18.10%	37,138	1.29%	1,074,907	37.39%	1,242,469	43.22%	2,874,688
May-14	323,705	10.06%	1,651	0.05%	958,437	29.79%	1,933,568	60.10%	3,217,361
TOTALS	\$ 4,962,812	12.76%	\$ 65,163	0.17%	\$ 11,730,900	30.18%	\$ 22,115,677	56.89%	\$ 38,874,552

Duke Energy Carolinas, LLC
Details of Environmental Costs
June 2013 - September 2014
Docket No. 2014-3-E

<u>Environmental Costs Incurred</u>	ACTUAL						
	June 2013	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013 January 2014
Magnesium Hydroxide, Calcium Carbonate, Other Sorbents	\$ (519) \$	518 \$	(50) \$	1,938,591 \$	299,968 \$	201,718 \$	264,730 \$ 302,868
Emission Allowances	\$ 1,788 \$	9,224 \$	1,507 \$	1,526 \$	1,288 \$	1,891 \$	1,126 \$ 2,935
Ammonia and Urea	\$ 1,269,367 \$	1,863,666 \$	655,162 \$	770,393 \$	608,157 \$	287,614 \$	563,710 \$ 1,197,814
Lime and Limestone	\$ 1,870,497 \$	1,829,350 \$	1,681,166 \$	1,587,607 \$	1,383,722 \$	1,842,414 \$	1,809,168 \$ 2,720,888
Sub-Total	\$ 3,141,133 \$	3,702,758 \$	2,337,785 \$	4,298,117 \$	2,293,135 \$	2,333,637 \$	2,638,734 \$ 4,224,505
Gain on Emission Allowance Sales	\$ (60,000) \$	(141,572) \$	- \$	- \$	- \$	- \$	- \$ (6,600)
Inter-Company Sales	\$ (297,071) \$	(272,014) \$	(242,938) \$	(173,425) \$	(49,566) \$	(75,428) \$	(184,279) \$ (402,502)
Net Environmental Costs	\$ 2,784,062 \$	3,289,172 \$	2,094,847 \$	4,124,692 \$	2,243,569 \$	2,258,209 \$	2,454,455 \$ 3,815,403
S.C. Retail kWh Sales	1,748,351,802	1,843,164,960	1,958,887,064	1,867,931,595	1,576,279,143	1,595,081,061	1,749,068,463 1,841,134,321
Total System kWh Sales	6,756,110,596	7,333,525,852	7,708,596,961	7,311,288,695	6,095,883,349	6,238,620,017	6,986,205,686 7,689,971,029
S.C. Allocation Factor of Total Environmental Costs	25.88%	25.13%	25.41%	25.55%	25.86%	25.57%	25.04% 23.94%
S.C. Share of Total Environmental Costs	\$ 720,515 \$	826,569 \$	532,301 \$	1,053,859 \$	580,187 \$	577,424 \$	614,596 \$ 913,407
Amount Billed to S.C. Customers	\$ 87,949 \$	85,127 \$	92,316 \$	90,452 \$	479,015 \$	485,104 \$	576,772 \$ 630,003
Over/(Under)-Recovery	\$ (632,566) \$	(741,442) \$	(439,985) \$	(963,407) \$	(101,172) \$	(92,320) \$	(37,824) \$ (283,404)
Cumulative Over/(Under)-Recovery - Prior Month	\$ 6,084,377 \$	5,451,811 \$	4,710,369 \$	4,270,384 \$	3,306,977 \$	3,205,805 \$	3,113,485 \$ 3,075,661
ORS Adjustments							
Cumulative Over/(Under)-Recovery	\$ 5,451,811 \$	4,710,369 \$	4,270,384 \$	3,306,977 \$	3,205,805 \$	3,113,485 \$	3,075,661 \$ 2,792,257

Duke Energy Carolinas, LLC
Details of Environmental Costs
June 2013 - September 2014
Docket No. 2014-3-E

Environmental Costs Incurred	ACTUAL				ESTIMATED			
	February 2014	March 2014	April 2014	May 2014	June 2014	July 2014	August 2014	September 2014
Magnesium Hydroxide, Calcium Carbonate, Other Sorbents	\$ 424,345	\$ 686,764	\$ 520,174	\$ 323,705	\$ 347,460	\$ 443,430	\$ 445,572	\$ 313,473
Emission Allowances	\$ 2,786	\$ 2,303	\$ 37,138	\$ 1,651	\$ 2,439	\$ 5,110	\$ 5,421	\$ 2,703
Ammonia and Urca	\$ 1,179,887	\$ 1,301,786	\$ 1,074,907	\$ 958,437	\$ 768,168	\$ 1,470,510	\$ 1,450,267	\$ 1,017,820
Lime and Limestone	\$ 2,239,061	\$ 1,975,767	\$ 1,242,469	\$ 1,933,568	\$ 2,587,869	\$ 2,942,695	\$ 2,917,506	\$ 1,867,034
Sub-Total	\$ 3,846,079	\$ 3,966,620	\$ 2,874,688	\$ 3,217,361	\$ 3,705,936	\$ 4,861,745	\$ 4,818,766	\$ 3,201,030
Gain on Emission Allowance Sales	\$ -	\$ -	\$ (1,019)	\$ -	\$ -	\$ -	\$ -	\$ -
Inter-Company Sales	\$ (542,737)	\$ (447,412)	\$ (46,425)	\$ (109,291)	\$ -	\$ (355,881)	\$ (398,052)	\$ (65,142)
Net Environmental Costs	\$ 3,303,342	\$ 3,519,208	\$ 2,827,244	\$ 3,108,070	\$ 3,705,936	\$ 4,505,864	\$ 4,420,714	\$ 3,135,888
S.C. Retail kWh Sales	1,921,599,405	1,602,831,055	1,593,831,324	1,605,730,934	1,834,123,000	2,005,101,583	2,047,671,247	1,995,698,242
Total System kWh Sales	7,789,888,434	6,579,767,548	6,398,792,446	6,292,323,611	7,253,953,000	7,873,647,081	8,044,844,037	7,722,650,623
S.C. Allocation Factor of Total Environmental Costs	24.67%	24.36%	24.91%	25.52%	25.28%	25.47%	25.45%	25.84%
S.C. Share of Total Environmental Costs	\$ 814,934	\$ 857,279	\$ 704,266	\$ 793,179	\$ 936,861	\$ 1,147,644	\$ 1,125,072	\$ 810,313
Amount Billed to S.C. Customers	\$ 656,966	\$ 518,399	\$ 494,900	\$ 487,217	\$ 579,532	\$ 654,929	\$ 672,303	\$ 644,242
Over/(Under)-Recovery	\$ (157,968)	\$ (338,880)	\$ (209,366)	\$ (305,962)	\$ (357,329)	\$ (492,715)	\$ (452,769)	\$ (166,071)
Cumulative Over/(Under)-Recovery - Prior Month	\$ 2,792,257	\$ 2,634,289	\$ 2,295,409	\$ 2,086,043	\$ 1,788,254	\$ 1,430,925	\$ 938,210	\$ 485,441
ORS Adjustments			\$ 8,173	(5)				
Cumulative Over/(Under)-Recovery	\$ 2,634,289	\$ 2,295,409	\$ 2,086,043	\$ 1,788,254	\$ 1,430,925	\$ 938,210	\$ 485,441	\$ 319,370